



At the request of the King County Council, the King County Auditor's Office initiated a compliance audit of the county's use of historic preservation funding authorized by the Washington State Legislature in House Bill 1386. The bill increased the mandatory document recording surcharge for the preservation of historic documents from two to five dollars per recorded document. The legislation also authorized the county's discretionary use of a portion of the surcharge revenues to promote historic preservation, preservation programs, or to preserve historic records.

We concluded that House Bill 1386 was appropriately implemented and the county's contribution to historic preservation organizations and programs increased since mid-2005. We also identified opportunities for improved accountability and transparency in the use of the surcharge revenues. These included restricting the Historic Preservation Surcharge Account within the county Current Expense Fund to facilitate tracking of revenues and expenditures, and establishing formal policies and procedures to guide the use of the surcharge revenues.

Background

Washington State House Bill 1386 increased the mandatory document recording surcharge for preserving historic documents and authorized the County Council's use of one dollar of the five-dollar surcharge fees at its discretion for historic preservation purposes. The authorization resulted in a new source of revenue for community-based historic preservation organizations and programs. Approximately \$1.7 million in new revenues has been generated since the bill became effective in mid-2005. These revenues are significant to the historic preservation organizations and programs operating in King County.

Audit Objectives and Findings

Consistent with the County Council's 2008 budget request and the interests of various community historic preservation organizations, the primary audit objectives were to determine whether the county:

1. Properly accounted for the full amount of the increased recording surcharge revenues;
2. Utilized the surcharge revenues solely for authorized purposes; and
3. Used the surcharge revenues to complement or replace the level of Current Expense Fund revenues previously appropriated to community historic preservation organizations or programs.

We concluded that the county complied with House Bill 1386. The county established or maintained the legislatively-mandated accounts and deposited approximately \$1.7 million into the Current Expense Fund and \$8.3 million into the Recorder's Operating and Maintenance Fund during the audit review period.

The County Council also appropriated \$2.8 million, or \$1.1 million more than the \$1.7 million recording surcharge revenues collected since 2005, for community historic preservation organizations and

programs. In addition, the county increased its investment in community historic preservation efforts rather than replace existing revenues subsequent to the enactment of House Bill 1386. Between 2005 and 2007, the average annual appropriation was more than double the prior years' average appropriation.

Opportunities for Improvement and Recommendations

During the audit, we identified opportunities for improved accountability and transparency in the use of the recording surcharge revenues. For example, we determined that the county had difficulty tracking the use of the surcharge revenues because the Historic Preservation Surcharge Account was not a restricted account. We recommended that the county restrict the account to facilitate tracking the surcharge revenues and expenditures and to ensure that the revenues are used solely for historic preservation purposes. An annual financial plan should also be developed to promote transparency for the expended and unused surcharge account balance.

We also found that additional clarification is needed in defining "historic preservation" and identifying relevant uses of the surcharge revenues, because not all interested groups agree on what constitutes a historic preservation organization or program. We recommended that the King County Council consider adopting legislation, or directing the executive to develop policies and procedures for using the "discretionary" portion of the recording surcharge revenues to promote accountability and transparency for the interested community groups and the general public.

Executive Response

The County Executive concurred with the audit findings and recommendations.